

REMARKS

By this Amendment, Applicants have amended claims 1, 14, and 15. The amendments to the claims and the newly added claims are supported by the application as originally filed, and do not introduce new matter. Accordingly, entry of the amendments to claims 1, 14, and 15 is respectfully submitted.

Claim Rejections – 35 U.S.C. § 103

Claims 1-15 are pending in the above-identified application. In the Office Action dated August 28, 2003, the Examiner rejected claims 1-15 under 35 U.S.C. § 103(a) as being unpatentable over U.S. Patent No. 5,809,483 (Broka et al.) in view of U.S. Patent No. 6,408,282 (Bruist) and further in view of CS Trading (1999) (CS). The Applicant respectfully traverses the rejections, and asserts that the claims pending in the present application, i.e., claims 1-15, are patentable over Broka et al., Bruist, and CS for at least the reasons stated below.

The present invention provides methods and corresponding systems for trading financial instruments, such as U.S. Treasury securities, Liquid Agencies, and Zero Coupon Strips. More particularly, the present invention provides individuals trading financial instruments a price improvement on trades executed therewith and computes a derived price in the event that active quotes are unavailable.

Broka et al. discuss a system for monitoring information and for reporting trades in debt securities. Abstract. This aspect of the Broka et al. system is accomplished with a trade management function, which allows a user to manually enter a trade report for previously executed trades. Col. 11, lines 19-27. A user enters a trade report by selecting an Enter Trade Report function, which causes an appropriate window to be displayed for the user to enter and for the system to correspondingly capture trade data for the previously executed trade, such as data regarding the identification of the parties to the transaction, the issue traded, and the price, quantity, date, and the time of trade. Col. 11, lines 25-30. The Broka et al. system further includes a quote management function, which similarly allows users to post quotes for dissemination to other users, withdraw and restore quotes, and view active quotes. Col. 13, lines 32-60, Col. 14, lines 7-20. The Broka et al. system is merely “a computerized trading platform for recording trades and quotes”, similar to a bulletin board system. Col. 25, lines 30-40. Broka et al. do not disclose or otherwise suggest enabling users of the system to

execute trades of debt securities therewith. Broka et al. further discuss allowing users to query and view active quotes in a particular issue by specifying the symbol of the issue in the relevant fields provided in a quote book window, col. 14, lines 38-41, however, the list of quotes provided appear to be limited to those entered into the system by the subscribers.

Bruist discusses a system for trading securities over the Internet, which provides a graphic user interface for user-to-user trading as well as "traditional" on-line securities trading on national exchanges. Abstract; Col 6, lines 17-20. A user may initiate a buy order by selecting a stock listed on a summary display. Col. 18, lines 50-64. The summary display includes a listing of stocks held by the user, most active stocks, and stock that a user wishes to monitor. Col. 18, lines 53-57. The user may also display data for a particular stock by submitting a "quick quote". Col. 18, lines 60-63. The user may similarly execute a sell order by selecting a stock from a positions display. Col 19, lines 40-45. Buy and sell orders may be filled on a national market or in the user-to-to user market. Col. 18, lines 27-30. The user-to-user trading aspect of the Bruist system is accomplished with a buyer executing a buy order against a sell order that has been posted in the system by another subscriber. Col. 9, line 55 to col. 10, line 30. Bruist does not disclose any detail with regard to how orders to buy and sell securities are matched in the national market.

The CS reference generally discusses what Strips are and how Strips are quoted. It is explained that Strips are zero-coupon bonds created from a coupon so that each coupon payment and the principle can be traded as separate securities. The CS reference does not disclose any detail with regard to how orders to buy and sell Strips are sold and/or matched, if at all, by a trading system.

In contrast, the present invention is drawn toward automated trading of financial instruments that provide features that are not disclosed in the references cited by the Examiner. Particularly, independent claims 1, 14, and 25, and claims 2-13 dependent on claim 1, feature, among other things, computer systems and corresponding methods adopted to apply a price improvement to executed trades in the event that an offsetting trade occurs. This aspect of the invention beneficially provides system users with a favorable price increase for trades executed in the same security within a certain period of time from each other, as explained at page 13, lines 1-9. Neither Broka et al., Bruist, nor the author(s) of the CS reference, alone or in combination, disclose or otherwise suggest financial instrument trading systems or methods adopted to apply a price improvement to executed trades. As

noted above, the Broka et al. system is merely a bond quote and reporting system, and does not provide any trading functionality. Moreover, to the extent the Bruist system allows users to fill trades on a national market or in the user-to-user market, Bruist does not disclose or suggest modifying trades executed therewith, particularly to provide a price improvement thereto. The CS reference merely discusses how Strips are quoted and similarly does not disclose or suggest modifying executed trades with respect to strips.

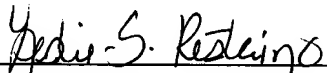
Claims 1, 14, and 15, and claims 2-13 dependent on claim 1, alternatively or in addition, feature computer systems and corresponding methods adopted to determine or compute a derived price, e.g., in the event a national best bid and offer price is not available, and, with respect to claims 14 and 15, execute the trades at the derived price. Neither Broka et al., Bruist, nor the author(s) of the CS reference, alone or in combination, disclose or otherwise suggest financial instrument trading systems and methods adopted to determine or compute a derived price, and correspondingly, to execute trades at the derived price. As noted above, Broka et al. is merely a reporting system and CS merely discusses how Strips are quoted. Additionally, although the Bruist system provides automated trading, there is no suggestion to expand the Bruist system to include the derived price feature of the present invention.

There is further no motivation to expand the teachings of the references cited by the examiner to include price improvement features and derived price features as explained herein. The references cited by the Examiner, particularly Bruist, do not disclose the possibility of trades crossing, as explained at page 13, lines 5-9 of the present application, and of there not being a quote available for a particular issue, as explained at page 9, lines, 3-5 of the present application. On the contrary, the references cited by the Examiner appear to operate on the assumption that the markets in the particular issues provide sufficient liquidity to obviate such conditions. Accordingly, the teachings in the art that operate under such assumption teach away from the features of the present invention insofar as market liquidity to prevents such conditions.

The dependent claims are patentable for additional reasons. While deemed unnecessary to argue these additional reasons at this time, given the arguments presented above, the Applicant reserves the right to present such arguments should it become necessary or desirable to do so.

For the above reasons, the Applicant submits that their invention as claimed is patentable over the references cited by the Examiner. Accordingly, reconsideration and allowance of pending claims 1-15 is therefore respectfully solicited.

Respectfully submitted,



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